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Supreme Court, U.S.
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No. 03-1615

IN THE

Supreme Court of the United States

PHILIP R. MCNEIL, PETITIONER

v.

THE STANLEY WORKS AND VERISIGN, INC.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF FOR THE RESPONDENTS IN OPPOSITION

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Sup. Ct. R. 29.6, Respondent, VeriSign, Inc. by its counsel, Rivkin Radler LLP, hereby certifies that VeriSign, Inc. is a publicly held corporation that has no parent corporation and that no other publicly held corporation owns more than 10% of its stock.

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INTRODUCTION

Respondent VeriSign, Inc. ("VeriSign") submits this Opposition Brief in response to the Petition for a Writ of Certiorari filed by Petitioner Philip R. McNeil. Petitioner claims that this Court should review this matter because the District Court for the Northern District of California and the United States Court of Appeals for the Ninth Circuit, in issuing a summary affirmance, were incorrect. Respectfully, for the reasons set forth below, the instant petition should be denied.

SUMMARY OF ARGUMENT

As a threshold matter, the instant petition falls beyond the scope of permitted criteria for granting a writ of certiorari. Petitioner's application is based upon a Ninth Circuit ruling that summarily affirmed the District Court's order dismissing the Complaint for failure to state any actionable claim against VeriSign. (1)[1] Accordingly, the instant petition is not based upon any conflicting application of law among the Circuit Courts or State courts of last resort. Indeed, the petition does not even raise an important federal question insofar as it relates to VeriSign.

Petitioner commenced this action against Stanley Works ("Stanley"), Internet Corporation for Assigned Names and Numbers ("ICANN") and VeriSign, alleging that the Uniform Dispute Resolution Policy ("UDRP"), which is incorporated into

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[1] Numbers in parenthesis refer to pages in the Appendix To Petition For Writ of Certiorari.

Petitioner's domain name registration contract with VeriSign and which proceeding led to the transfer of several Internet domain name registrations from Petitioner to Stanley, wrongfully deprived Petitioner of those domain name registrations and mandated declaratory and injunctive relief against the trademark owner, Stanley, the domain name registrar, VeriSign, and the registrar accreditation body, ICANN. (45)

Petitioner argues that the dismissal of the Complaint on the ground of forum non conveniens was improper; that the Anti-Cybersquatting Consumer Protection Act ("ACPA") created a federal cause of action for those negatively impacted by arbitration decisions under the UDRP; and that he should have been allowed to pursue his claim in federal court. Additionally, Petitioner argues that the courts erroneously applied res judicata principles in dismissing his claims and that the courts failed to give proper deference to the forum selection clause incorporated into the dispute resolution provision of his registration agreement. None of these arguments are cognizable under the rules governing certiorari.

More importantly, Petitioner did not pursue, in the Ninth Circuit or in this Petition, the sole basis for the District Court's dismissal of VeriSign – failure to state a claim for breach of contract. Additionally, controlling precedent and the unequivocal language of the statute itself provides that VeriSign, as a registrar, is not a proper party to a claim under the ACPA on the facts at bar. Therefore, resolution of the legal issues raised by Petitioner in its petition bear no relevance to the lower courts' decision as it relates to VeriSign.

Under the Rules of this Court, the petition presents issues inappropriate for review. As VeriSign demonstrates below, the underlying courts in this matter correctly applied existing and non-conflicting law in granting and upholding the dismissal of Petitioner's complaint against VeriSign. As a result, the Petition for a Writ of Certiorari should be denied.

FACTUAL AND PROCEDURAL BACKGROUND

Background Facts

Petitioner is a Canadian citizen. (22, 26) Stanley is a U.S. Corporation (Connecticut) doing business in Canada. (22, 26) The parties' dispute emanates from their failed business relationship over Petitioner's right to distribute MacTools, a Stanley product, in Canada. (3, 22, 25) In 1998, Petitioner sued Stanley in a Canadian court alleging breach of their distributor agreement. (67) The action was stayed pending arbitration and Petitioner's appeal from the stay order was dismissed. (67) In 1999, during the course of negotiations between the parties pursuant to the arbitration clause in the distributor agreement, Stanley discovered that Petitioner was operating a website at <mactools.ab.ca> which posted information critical of Stanley. (68-69) Stanley thus commenced suit in Canada against Petitioner under Canadian trademark law. (61-102)

The Domain Name Registrations At Issue

In January, 2000, Petitioner registered the following Internet domain names through the Internet

domain name registrar, Registrars.com: <stanleyworks.net>, <thestanleyworks.net>, <stanley-tools.com> <Stanley-Proto.com>, <stanley-husky.com>, <stanley-hardware.com> and <stanleysucks.com>. (3-4) In June 2001, Respondent VeriSign, Inc. ("VeriSign") acquired Registrars.com and became the successor in interest to the registration agreements relating to the above-listed Internet domain name registrations.[2] (3)

The Registration Agreements

In order to register a domain name through VeriSign, Petitioner was required to assent to a "Registration Agreement" with VeriSign. VeriSign's Registration Agreement incorporates the UDRP, which is approved by ICANN.[3] Like all ICANN-accredited registrars, VeriSign was required to incorporate the UDRP into its contract with registrants pursuant to its accreditation agreement with ICANN. (7-8) The UDRP establishes procedures for resolving disputes between domain name registrants and trademark owners. (15) Specifically, the UDRP provides for the appointment of an administrative panel who hears the dispute between the registrant and trademark owner. (6) If the trademark owner prevails, the panel may order either the cancellation of the domain name registration or the transfer of that registration to the trademark owner. (6)

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[2] For ease of reference, we will herein refer to the Registrars.com registrar as VeriSign.

[3] ICANN is a private corporation created in 1998 which, pursuant to a Memorandum of Understanding with the Department of Commerce, accredits Internet domain name registrars.

In the event a UDRP panel orders the transfer of a domain name registration, VeriSign's Registration Agreement with the registrant provides that it will implement the administrative panel's decision unless, within ten business days, the registrant provides VeriSign with official documentation that the registrant has commenced a lawsuit against the UDRP complainant in a mutual jurisdiction to which the complainant has submitted. (6) If VeriSign receives such documentation within ten business days, it will not implement the administrative panel's decision, and it will take no further action regarding the domain name registration, until it receives: (i) evidence satisfactory to the registrar of a resolution between the parties; (ii) evidence satisfactory to the registrar that the lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from such court dismissing the lawsuit or ordering that the registrant does not have the right to continue to use the domain name. (6)

The UDRP Proceeding

In February, 2000, Stanley, as the registered trademark owner of "STANLEY," initiated a UDRP proceeding against Petitioner to recover two (2) domain name registrations for <thestanleyworks.net> and <stanleyworks.net> from Petitioner (hereinafter, the "First UDRP Proceeding"). (6, 62) On April 17, 2000, Stanley prevailed in the First UDRP Proceeding and the panel directed that the domain name registrations be transferred to Stanley. (3)

On April 26, 2002, Stanley commenced a second UDRP proceeding against Petitioner to recover four (4)

additional domain name registrations for <stanley-tools.com>, <stanley-proto.com>, <stanley-husky.com> and <stanley-hardware.com> from Petitioner (hereinafter, the "Second UDRP Proceeding"). (3-4). However, the Second UDRP Proceeding was stayed pending the outcome of McNeil I discussed below. (17)

McNeil I

1. District Court Litigation.

On April 28, 2000, prior to resolution of the Second UDRP Proceeding, Petitioner filed his first lawsuit in the U.S. District Court for the Northern District of California, Civ. No. C00-1509 (Patel, J.), challenging the decision of the First UDRP Proceeding. (32-44) Petitioner named Stanley as the sole defendant. (32) In July, 2000, the District Court dismissed Petitioner's Complaint on three grounds. (25-31) First, Petitioner's federal claim under 42 U.S.C. § 1983 was dismissed for lack of state action. (26-27) Second, the District Court abstained from exercising jurisdiction over Petitioner's remaining state law claims in deference to the ongoing Canadian litigation. (27-28) Thirdly, and alternatively, the District Court dismissed Petitioner's state law claims under the doctrine of *forum non conveniens* in light of the pending Canadian litigation as well. (28-29)

2. Ninth Circuit Appeal.

In a decision dated April 10, 2002, the Ninth Circuit affirmed the District Court's order dismissing the Complaint filed in McNeil I on abstention and,

alternatively, *forum non conveniens* grounds. (19-24) Simply stated, the Circuit Court held that the forum selection clause incorporated into VeriSign's Registration Agreement, which identified California courts, was permissive and did not mandate California courts as the exclusive forum. (22-23) The Circuit Court took notice of the pending Canadian litigation and the lack of any substantial ties between the California forum and the parties and issues in dispute. (23-24) The presence of VeriSign, as the registrar for the domain name registrations at issue, was deemed insufficient to retain jurisdiction. (21) VeriSign was neither a party to the first UDRP proceeding nor McNeil I.

Upon affirmance of the decision in McNeil I, VeriSign implemented the first UDRP decision and transferred the two (2) domain name registrations to Stanley. (3) Also, the Second UDRP Proceeding was then reinstated. (3) In August, 2002, Stanley prevailed again. (3) The Second UDRP Panel ordered that all four (4) domain name registrations be transferred from Petitioner to Stanley.

McNeil II

1. District Court Litigation.

In September, 2002, Petitioner filed his second lawsuit in the U.S. District Court for the Northern District of California, Civ. No. C02-4534 (Patel, J.) (45-60). This second suit challenged the constitutionality and fairness of, and the authority for, the mandatory UDRP provisions in the contract. (45-60). Petitioner now sued Stanley, VeriSign and ICANN. (45) By his

Complaint, Petitioner sought: (1) a declaration of his rights with regard to domain names transferred under the UDRP incorporated into VeriSign's Registration Agreement and (2) an injunction against VeriSign from transferring the domain names pursuant to a UDRP decision until a final adjudication by a court. (56-60)

The district court, in a decision dated August, 2003, dismissed the claims against VeriSign. (2-17) The court found that petitioner failed to state any claims against VeriSign. (5-7)

Petitioner sought an injunction to "prohibit VeriSign from transferring any of the disputed domain names until a final adjudication could be reached." (5) Such equitable relief requires a viable substantive claim. The District Court, however, searched the record for a cognizable claim against VeriSign and found none. (5-7)

Petitioner's sole relationship with VeriSign was contractual pursuant to the domain name Registration Agreements. (5-7) The District Court held that plaintiff could not state a prima facie case for breach of the Registration Agreements. (5-7) Viewing the allegations in a light most favorable to the petitioner, the District Court held that petitioner failed to allege the element of damages. Unable to state a claim for breach of contract, the District Court held petitioner was not entitled to injunctive relief. (5-7)

For reasons unrelated to VeriSign, the complaint against Stanley and ICANN were also dismissed. (7-17)

2. Ninth Circuit Appeal.

In an opinion dated February 27, 2004, the Ninth Circuit summarily affirmed the District Court's Order in McNeil II as to Stanley and VeriSign. (1) ICANN never moved for such relief and, presumably, Petitioner is still pursuing this branch of his appeal in the Circuit Court.

Specifically, VeriSign argued in support of summary affirmance that there was no basis to state a statutory or common law claim against it to warrant consideration of Petitioner's appeal. Petitioner only argued generally that he possessed theories on which relief could have been granted. Insofar as Petitioner had sought declaratory relief under the ACPA, VeriSign, as an Internet registrar, was exempt from liability under the statute on the facts at bar.

Significantly, Petitioner did not pursue the breach of contract claim on appeal. Petitioner having failed to contest the District Court's finding of lack of alleged damages, VeriSign argued that Petitioner abandoned and/or waived his right to appeal the existence of a breach of contract claim.

Accordingly, the Ninth Circuit held that the Petitioner's opening brief raised claims "so insubstantial as not to require further argument." (1) The instant application for a writ of Certiorari by Petitioner ensued.

PETITIONER'S WRIT OF CERTIORARI SHOULD BE DENIED

1. Petitioner Has Not Met The Standard For Granting Certiorari

As provided by this Court's Rules, a petition for a writ of certiorari will be granted only for a compelling reason. While not exclusive, the following factors are relevant to this Court's consideration of whether to grant Review on Certiorari:

> (a) a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter; has decided an important federal question in a way that conflicts with a decision by a state court of last resort; or has so far departed from the accepted and usual course of judicial proceedings, or sanctioned such departure by a lower court, as to call for an exercise of this Court's supervisory power;
>
> (b) a state court of last resort has decided an important federal question in a way that conflicts with the decision of another state court of last resort or of a United States court of appeals;
>
> (c) a state court or a United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court, or

has decided an important federal question in a way that conflicts with relevant decisions of this Court. Sup. Ct. R. 10.

Petitioner readily admits that this matter does not fall within the foregoing criteria. Rather, it falls within the latter portion of Sup. Ct. R. 10, which provides that a petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law. However, Petitioner's assertion in this regard has been waived and is, alternatively, unsupported.

2. Petitioner Abandoned Any Claim Relating To Breach Of Contract Against VeriSign

Petitioner did not pursue, in the Ninth Circuit or in his Petition, the sole basis for the District Court's dismissal of VeriSign – failure to state a claim for breach of contract. (5-7) The Ninth Circuit affirmed the District Court's dismissal, finding that the questions raised on appeal were so insubstantial as not to require further argument. (1)

Not only is the basis for the dismissal below unpreserved for review by this Court, it is insufficient to warrant granting a writ of certiorari. Petitioner does not challenge the Ninth Circuit's summary affirmance as inconsistent with other Circuits. Nor does finding that Petitioner failed to state a claim for breach of contract upon which relief may be granted, present any, let alone important, federal question.

3. Petitioner's Arguments Relating To *Forum Non Conveniens* Are Not Relevant To VeriSign

With respect to Stanley, the District Court held that although forum non conveniens is not a jurisdictional concept, it may be properly analyzed under claim preclusion principles as if it were. (13) Based on this analysis, the District Court held that "the issue of forum non conveniens has not changed in any respect between plaintiff's first complaint and the action now before the Court." (13) Significantly, the District Court confined its analysis to a comparison of Petitioner's claims against Stanley in both District Court litigations.

VeriSign's dismissal was, in marked contrast, based entirely upon factors independent of those warranting Stanley's dismissal. (5-7) Petitioner's claims against VeriSign, therefore, do not rise and fall upon his claim relating to the applicability of forum non conveniens. Nonetheless, Petitioner erroneously seeks certiorari on grounds that VeriSign's "presence" was "required," "preferred," and/or "warranted" in the District Court. By trying to introduce new claims against VeriSign as a new party, Petitioner seeks to reverse the dismissal against Stanley. In making this argument, Petitioner wholly ignores the fact that the claims against VeriSign were dismissed on their own accord for failure to state a claim. (5-7).

In any event, Petitioner's claims are without merit and do not meet the criteria necessary for this Court's review. Petitioner maintains that dismissal of

McNeil II on the grounds of *forum non conveniens* contravenes established federal law. In support of this claim, Petitioner cites *M/S Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1 (1972), which held that forum selection clauses were presumptively valid. Petitioner argues that in view of the Ninth Circuit's rejection of the ICANN forum stipulation, *Bremen* principles need to be reaffirmed so that it is clear they are deemed to apply in the context of domain disputes, ACPA actions, and UDRP arbitrations.

Specifically, Petitioner states that

> "*Bremen* principles are not in need of modernization, but they are apparently in need of reiteration, at least in the Ninth Circuit in the instant case. The advent of the Internet beckons this Court not to reformulate historical venue rules, but at least to reaffirm them, and remind lower courts they need only adhere to fundamental, longstanding forum choice rules (and federal law) to determine whether and where cases should be adjudicated."

This, however, is not a permitted basis to invoke this Court's supervisory power. The premise of the instant petition is to reaffirm settled federal law. Under Sup. Ct. R. 10, a writ of certiorari may only be granted where a "United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court."

(emphasis added). Accordingly, the instant petition should be denied.

4. Petitioner May Not Seek A Declaration Of His Rights As To VeriSign

Petitioner contends that the ACPA claim asserted in McNeil II differentiated it from McNeil I and required the District Court to assume jurisdiction over the case. Specifically, Petitioner argues that the additional parties and claims sufficiently distinguished McNeil I and McNeil II, and that res judicata was inapplicable. Petitioner further alleges that deferral of the case to Canada was improper and that he should have been permitted to litigate in the United States. Petitioner argues that the Lanham Act required that he litigate his claims in the United States. Petitioner argues that all the parties had substantial contacts with California, and that it was doubtful whether a Canadian Court could have exercised jurisdiction over two of the parties, namely, ICANN and VeriSign.

Petitioner's claims, as applied to VeriSign are irrelevant. As a threshold matter, the District Court declined to reach the merits of McNeil's claim for declaratory relief under the ACPA on the ground that "the issue of domain name ownership has been resolved by the Ninth Circuit and is therefore moot." (7, 17) The Circuit Court summarily affirmed this ruling. (5-7)

Moreover, controlling precedent provides that VeriSign is exempt from liability for Petitioner's claim under the ACPA as presented in this matter. To begin,

the statutory definition of persons liable under the statute simply does not include registrars.

> A person shall be liable for using a domain name under subparagraph (A) *only* if that person is **the domain name registrant or that registrant's licensee**. 15 U.S.C. § 1125(d)(1)(E) (emphasis added).

The ACPA further provides that registrars are not proper parties in actions brought under the ACPA, except under rare circumstances, not herein present. It states:

> The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order. 15 USCS § 1125(d)(2)(D)(ii).

That is, the ACPA expressly limits actions against those persons who, with bad faith intent to profit, registers, traffics in, or uses a domain name. 15 USCS § 1125(d)(1); *Bihari v. Gross*, 119 F. Supp. 2d 309, 316 (S.D.N.Y. 2000) (citing *Mattel, Inc. v. Internet Dimensions, Inc.*, 2000 U.S. Dist. LEXIS 9747 (S.D.N.Y. July 13, 2000)). *See, also, Ford Motor Co. v. Great Domains.com, Inc.*, 177 F. Supp. 2d 635, 645 (E.D. Mich. 2001) (citing *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648, 655

(N.D.Tex. 2001) (finding "no summary judgment evidence that [a domain name registrar] had engaged in transactions of any of those kinds" listed to define the phrase "traffics in"); *See, also, Bird v. Parsons*, 289 F.3d 865, 878 (6th Cir. 2002) ("The fact that the registrant can then use its domain name to infringe on the rights of a registered trademark owner does not subject the registrar to liability for trademark infringement or unfair competition.")

Additional provisions of the Lanham Act, of which the ACPA is a part, further demonstrate that the statutory intent did not contemplate claims against a domain name registrar under the circumstances herein present. The statute expressly precludes registrars from liability for monetary relief regarding such domain name disputes. 15 U.S.C. § 1114(D)(i)(I).

The same statutory provision also limits requests for injunctive relief against registrars to circumstances not herein present. On the facts at bar, Petitioner has never alleged that VeriSign failed to deposit control of the domain names with the court when litigation commenced. 15 U.S.C. § 1114(D)(i)(II). As was argued to the Ninth Circuit in VeriSign's motion for summary affirmance, McNeil has not and cannot allege that such extraordinary circumstances exist because gravaman of his claim is VeriSign's compliance with, rather than violation of, the UDRP.

As a registrar, VeriSign neither uses the domain names as contemplated by the statute nor engages in any affirmative conduct that would lead to such use. *See, Lockheed Martin Corp. v. Network Solutions, Inc.*,

985 F. Supp. 949, 951-953 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999).

The clear statutory language and precedent in this area establishes there can be no viable claim against VeriSign under the ACPA and the Lanham Act. Resolution of Petitioner's claims relating to the ACPA is, however, immaterial in assessing whether there was a claim stated against VeriSign.

Lastly, the instant Petition must not be granted simply because petitioner foresees an unjustified need to restrain future domain name transfers. As set forth above, the record demonstrates that Petitioner failed to allege a breach of contract claim against VeriSign and VeriSign is not subject to any statutory liability under the ACPA as a matter of law. Accordingly, there is no legal basis for Petitioner to allege that identical, prospective conduct should be restrained in any fashion, nor is that inquiry appropriate here.

CONCLUSION

For the reasons set forth above, Respondent VeriSign, Inc. respectfully requests that the Petition for a Writ of Certiorari filed by Petitioner be denied in its entirety and this Court fashion such other and different relief as it deems just and proper.

Respectfully submitted,

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